

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Hope Post Office  
Hope, Minnesota

Docket No. A2012-105

REPLY COMMENTS OF THE PUBLIC REPRESENTATIVE IN SUPPORT OF  
PETITIONERS' APPEALS  
(March 5, 2012)

I. INTRODUCTION

On December 28, 2011, the Commission received an appeal letter from Ed Nelson objecting to the closing of the post office in Hope, Minnesota.<sup>1</sup> On January 6, 2012, the Commission issued Order No. 1110 accepting the appeal and establishing a procedural schedule.<sup>2</sup> Participant Statements were received from Doris Krause (February 6, 2012) and Ed Nelson (February 6, 2012).

Pursuant to the procedural schedule, the Postal Service filed the Administrative Record on January 12, 2012<sup>3</sup> and filed comments regarding the appeal on February 23, 2012.<sup>4</sup> For the reasons stated below, the Public Representative recommends that the Postal Service's Final Determination to close the Hope, Minnesota post office should be remanded.

II. FAILURE TO CONSIDER EFFECT ON LOCAL BUSINESSES

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<sup>1</sup> Petition for review from Ed Nelson, December 28, 2011 (Nelson Petition). Additional petitions were received from Marcia Dahle on December 28, 2011 (Dahle Petition), Dale E. Wilka on January 6, 2012 (Wilka Petition), Kurt Miller on January 6, 2012 (Miller Petition), and Doris Krause on January 20, 2012 (Krause Petition).

<sup>2</sup> Order No. 1110 – Notice and Order Accepting Appeal and Establishing Procedural Schedule, January 6, 2012 (Order).

<sup>3</sup> United States Postal Service Notice of Filing Administrative Record, January 12, 2012 (Administrative Record). The Postal Service's final determination to close the Hope Post Office is Item No.47 of the Administrative Record (Final Determination).

<sup>4</sup> United States Postal Service Comments Regarding Appeal, February 23, 2012 (Postal Service Comments).

Petitioners expressed their concern for the local businesses dependent upon the Hope Post Office for their postal needs. Ms. Krause identifies several local businesses that use the Post Office extensively and would be adversely affected by its closure. Krause Petition at 1. It can be inferred that several of these businesses — including Sunrich, Krause Feed and Supplies, and Hope Creamery — require shipment of perishable or temperature-sensitive goods in the normal course of their business. Mr. Wilka contends that the closure of the Hope Post Office will require businesses shipping perishable goods to incur significant time and employee resources to transport these products to the nearest post office.<sup>5</sup> Wilka Petition at 3.

The Postal Service does not address the detriment to local businesses in any substantive manner, only including a perfunctory statement claiming that “there is no indication that the Hope business community will be adversely affected” by the proposed closure. Postal Service Comments at 15. The Administrative Record does not reflect any study supporting this conclusory statement. Even if the Postal Service had conducted such a study, it would not have accounted for the additional costs incurred by local businesses if the Hope Post Office were to close. Although the Post Office does mention these costs in passing, only to dismiss them as “not required to be included in the economic savings calculation” (Postal Service Comments at 16), it does not acknowledge that these costs constitute a significant loss to the local economy. Even if the economic savings calculation does not include these costs, the Postal Service’s analysis of their effect on the local community should have taken them into account as required by 39 U.S.C. 404(d)(2)(A)(i). Because the Postal Service has neglected to consider the effect of the closure on the local business community of Hope, the Final Determination should be remanded.

### III. FAILURE TO CORRECTLY CALCULATE POTENTIAL FOR COMMUNITY GROWTH

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<sup>5</sup> The Postal Service has identified the Ellendale Post Office as replacement post office for retail and delivery services. Postal Service Comments at 3. It repeatedly states that the Ellendale Post Office is located roughly 3 miles away from the Hope Post office. See *e.g.* Postal Service Comments at 4; Administrative Record Item No. 18 (Form 4920, Post Office Fact Sheet). However, MapQuest estimates that the actual distance between the Hope Post Office and the Ellendale Post Office is approximately 8.45 miles (10 minutes driving time). The Final Determination identifies the correct distance between the two. Final Determination at 7.

The Postal Service relied upon incomplete and inaccurate data regarding community growth in the areas surrounding the Hope Post Office. The Final Determination states that “[b]ased on information obtained by the Postal Service, it was determined that there has been minimal growth in the area in recent years.” Final Determination at 6. However, the lack of growth in the Hope community has likely been an anomaly, an issue raised in the Wilka Petition, which the Postal Service has failed to address or acknowledge in either the Administrative Record or the Postal Service Comments. Mr. Wilka states:

Hope has not had much growth in the past years because the county put a moratorium on building because of an inadequate sewer system. We have recently installed a state of the art system at a cost of over \$900,000. Our system is currently running at less than 50% capacity. In addition we have the capability of adding another system which would double our capacity...

Wilka Petition at 2.

Nowhere in the record does the Postal Service indicate its awareness of a previous moratorium on building. In fact, this may have influenced the Postal Service’s determination of minimal growth significantly. As such, the Final Determination should be remanded to the Postal Service to give it the opportunity to determine the current status of the construction moratorium and adjust its projections regarding the potential workload of the Hope Post Office.

#### IV. INACCURATE CALCULATION OF ECONOMIC SAVINGS

The Postal Service provides estimates of \$21,390 in annual economic savings after deducting the estimated cost of the replacement service. Final Determination at 6. The economic savings calculation is based on the Postmaster’s salary and benefits of \$26,213, and annual lease cost of \$3,000. The estimated cost of replacement service is \$7,823. *Id.*

The Postmaster position is currently filled by noncareer postmaster relief (PMR). Postal Service Comments at 3. Since the previous postmaster retired on November 1, 1996, either a PMR or officer-in-charge (OIC) has been operating the Hope Post Office. *Id.* The Postal Service has therefore enjoyed the economic savings arising from employing a

noncareer employee at a reduced salary and no benefits. There are no indications that the Postal Service is under any obligation to replace the current PMR, even if the Hope Post Office remains open. To the contrary, economic logic suggests that the Postal Service would continue to employ a PMR at the Hope Post Office to generate future savings rather than installing an EAS-55 Postmaster. Thus, the Postal Service's economic saving calculations based upon the salary and benefits of a future EAS-55 Postmaster, *assuming the Hope Post Office remains open*, are unlikely and therefore not a viable basis for calculating savings.

As a result, the Postal Service's calculation of economic savings must begin with the elimination of costs currently being incurred at the Hope Post Office *assuming that office is closed*. It is simply wrong to calculate economic savings based upon the salary and benefits of a possible future Postmaster when the costs to be saved are the real salary costs of the PMR arising from closure of Hope Post Office. If the post office remains open, the Postal Service will incur costs upon the hiring of an EAS-55 Postmaster, not cost savings. Therefore, the salary and benefits of the EAS-55 Postmaster should be replaced with the salary of the PMR in the calculation of economic savings.

The Postal Service's calculation of economic savings is faulty in another respect. The Postal Service states that it will attempt to reassign the noncareer PMR to a nearby facility. Final Determination at 7. Reassignment will essentially negate the bulk of its proposed savings. The Postal Service will not be saving the amount that it is claiming in the Final Determination; rather, it will just be transferring the majority of its current expenses to another facility. Because the economic savings calculations of the Postal Service are based on inaccurate underlying data, the determination to close the Hope Post Office should be remanded.

## VI. OTHER FACTORS SUPPORTING REMAND

The Postal Service maintains that revenue at the Hope Post Office is low, although it acknowledged that in the last three years it has fluctuated – rising from \$32,121 in FY2008 to \$47,344 in FY2009 before dropping to \$23,599 in FY 2010.

Postal Service Comments at 3. The Postal Service does not contend that it expects revenue to remain low, even acknowledging that moderate population and commercial growth are expected in the community. Administrative Record Item No. 16. It is unclear, then, why the Postal Service insists on the closure of the Hope Postal Service despite the potential for increased future revenue. This is especially true given the external constraints imposed on growth by the construction moratorium, discussed above. The Postal Service does not have a clear enough picture of the future demographics of Hope at this time.

The Postal Service also fails to address, in either the Postal Service Comments or the Final Determination, whether any difference exists between the post office box fees at the Ellendale Post Office and the Hope Post Office. If the post office box fees are higher at the Ellendale Post Office, the Postal Service should consider that fact as detrimental to the Hope Community.

Finally, the Postal Service cites to several alternatives that will purportedly exist for the Hope Community after the Hope Post Office's closure, but fails to give any details about these alternatives or specify a location for them. In the Community Meeting Analysis, the Postal Service responds to a concern about senior citizens by stating that "[t]he Village Post Office will continue to provide stamp sales and package mailing services. The Village Post Office operator will provide special assistance to senior citizens and those who face special challenges." Administrative Record Item No. 25 at 2. However, it makes no mention of where the Village Post Office will be located or what services it will provide. Similarly, the Postal Service does not pinpoint a specific location for potential Community Post Offices (CPOs) or Cluster Box Units (CBUs). Administrative Record Item No. 15 at 1-2. The Postal Service could not have adequately considered the inconvenience of the potential closure on the Hope Community without determining the specific location of a Village Post Office, CPO or CBU, or if these services will even be offered to Hope residents.

## VII. CONCLUSION

For the reasons discussed above in these reply comments, the Public Representative supports the Petitioners' appeals seeking to remand the Postal Service's Final Determination to close the Hope, Minnesota Post Office.

Respectfully submitted,

/s/ Anne C. O'Connor

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